



Annual Report FY 2011

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Director**

December 31, 2011

IOWA Department of REVENUE

Annual Report

FY 2011

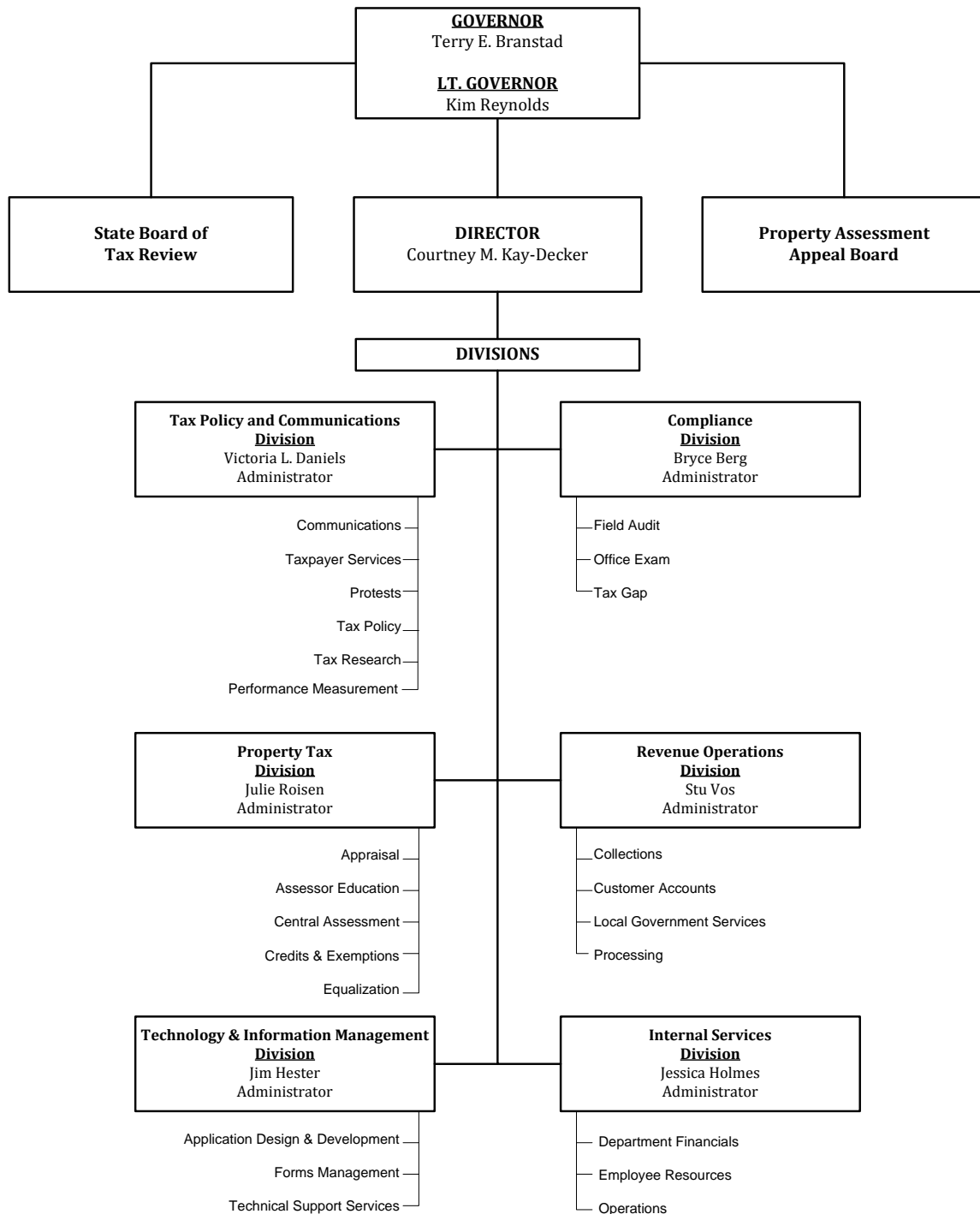
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TAXES COLLECTED

Individual Income Tax	Corporation Income Tax
Partnership Income Tax	Franchise Income Tax
Sales Tax	Car Rental Tax
Consumer's Use Tax	Inheritance Tax
Retailer's Use Tax	Motor Fuel Tax
Hotel/Motel Tax	Drug Stamp Tax
Local Option Taxes	Cigarette / Tobacco Tax
Withholding Tax	Moneys & Credit Tax
Real Estate Transfer Tax	Fiduciary Tax
Motor Vehicle Use Tax	Property Tax

Iowa Department of Revenue



**The Department includes two boards for budgetary purposes:
the State Board of Tax Review and the Property Assessment Appeal Board.**

Department Mission, Vision, Guiding Principles, and Core Functions

MISSION

To serve Iowans and to support government services in Iowa by collecting all taxes required by law, but no more.

VISION

To be recognized as a department employing a well-trained workforce that provides responsive and accurate services that, in a fair and respectful manner, enable all taxpayers to comply with Iowa's tax law.

GUIDING PRINCIPLES

Customer Focus:

- We will encourage collaboration and partnership with our internal and external customers.
- We operate in an ever-changing environment and will integrate advanced technology into our work processes in order to make them more efficient and of higher value to our customers.

Integrity:

- We will, through honest and open policies, maintain the public's confidence in our ethical standards.
- We will carefully safeguard our customers' confidential information.

Responsibility:

- We will provide expert advice and support to policymakers and to local and state government entities.
- We will help local governments responsibly manage their resources through education and supervision of the property tax system and local option taxes.

Understanding:

- We recognize that Iowa tax laws are complex and will provide the services and education necessary to enable compliance by all our customers.
- We understand that, to have a well educated and responsive work force, we need to provide our employees with ongoing training to develop their professional skills and to achieve personal growth.

Fiscal Management:

- We will responsibly manage our financial resources to fulfill our mission.
- We will continually monitor and measure our internal processes to ensure economy and efficiency.
- We will work with the Legislative Branch to recommend fiscally sound legislation that reflects obligations of the State.

CORE FUNCTIONS

Revenue Compliance and Collection

Resource Management

Research, Analysis, and Information Management

Local Government Assistance

Gross Deposits, Refunds, and Net Deposits FY 2011

Taxes	Gross Deposits	Refunds	Net Deposits
Income Taxes			
Individual Income Tax	3,569,809,674	617,804,403	2,952,005,271
Corporate Income Tax	396,478,971	138,666,512	257,812,459
Franchise Tax	36,323,415	4,861,821	31,461,594
<u>Total Income Taxes</u>	<u>4,002,612,060</u>	<u>761,332,736</u>	<u>3,241,279,324</u>
Sales and Use Taxes			
Sales Tax (1)	2,335,943,813	34,566,534	2,301,377,279
Use Tax	398,300,693	13,204,815	385,095,878
<u>Total Sales and Use Taxes</u>	<u>2,734,244,506</u>	<u>47,771,349</u>	<u>2,686,473,157</u>
Motor Vehicle Registration Fees (2)	279,975,395	0	279,975,395
Consumption Taxes			
Motor Fuel Taxes (3)	483,636,680	38,212,525	445,424,155
Cigarette Tax	200,085,185	366,429	199,718,756
Tobacco Tax	27,219,951	32,657	27,187,294
<u>Total Consumption Taxes</u>	<u>710,941,816</u>	<u>38,611,611</u>	<u>672,330,205</u>
<u>Total Inheritance Tax</u>	<u>66,394,791</u>	<u>1,351,194</u>	<u>65,043,597</u>
Miscellaneous Taxes			
Environmental Protection Charge	21,799,053	0	21,799,053
Motor Vehicle Use 25% EPC Deposit	0	0	0
Real Estate Transfer Tax	13,325,328	0	13,325,328
Hazardous Materials Permit Fee	471,075	0	471,075
Insurance Premium Tax	97,097,741	75,160	97,022,581
Reimbursements		0	0
Motor Vehicle Title Surcharge	656,324	0	656,324
Miscellaneous	2,217,735	3,920,548	-1,702,813
<u>Total Miscellaneous Taxes</u>	<u>135,567,257</u>	<u>3,995,708</u>	<u>131,571,549</u>
<u>GRAND TOTAL</u>	<u>7,929,735,824</u>	<u>853,062,598</u>	<u>7,076,673,226</u>

Notes:

(1) Gross sales tax deposits include approximately \$333.8 million in local option sales tax and hotel/motel tax collections. Secure an Advanced Vision for Education (SAVE) collections are not included in this amount.

(2) In FY 2009 motor vehicle use tax was replaced by a 5% one-time registration fee for newly purchased vehicles, leased vehicles, and trailers.

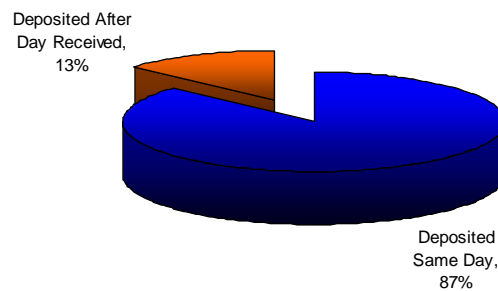
(3) Prior year reports provided a breakout of motor fuel taxes between motor vehicle fuel taxes and aviation fuel taxes. Motor fuel taxes attributed to motor vehicle use and aviation use are no longer tracked separately.

RECEIPTS AND DEPOSITS

Prudent money management principles require that revenues be deposited as quickly as possible to maximize investment proceeds and cash flow, and to provide for accurate accounting. The timely deposit of revenues ensures that funds are available for the continued provision of state government services.

The Revenue Operations Division deploys strategies to improve deposit of sales tax and income tax withholding during high-volume quarterly periods. The Department also provides easy access for electronic deposit for business taxes. Eighty-seven percent (87%) of dollars received are deposited the same day. The remaining 13% is deposited the day after receipt, and generally consists of paper checks that must be separated from a return.

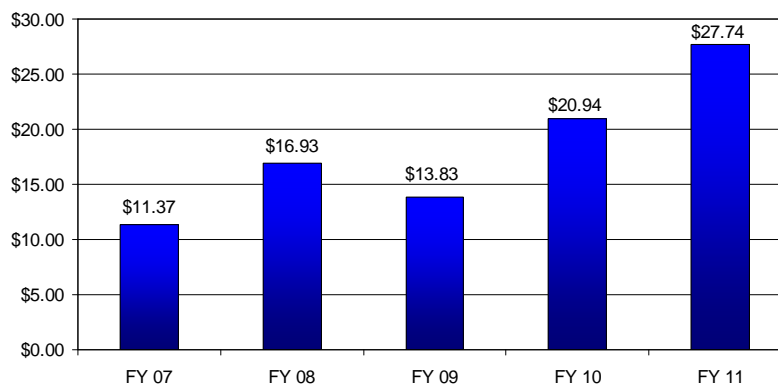
**Receipts Deposited On The
Same Day Received or Day After
FY 2011**



RETURN ON INVESTMENT

The vast majority of taxpayers file their returns and pay their taxes on time. When taxpayers do not do so, the Department provides a fair, consistent, and professional program of audit, examination, and collections services. When comparing costs to revenue received, the Department's Examination, Audit, and Tax Gap programs generated a weighted return on investment of \$27.74 in revenue for every \$1.00 in cost.

**Weighted Return On Investment
All Exam and Audit Programs**



ELECTRONIC FILING

Business Taxes

Electronic filing of business withholding and sales/use tax returns continues to be widely used. In FY 2011, 99% of withholding tax returns, and 96% of sales/use tax returns were filed using the Department's eFile & Pay system. In addition, these business filers paid more than 91.5% of funds owed to the state electronically.

Tax Type	# of Returns	% of Total
Withholding	Electronic: 349,349	99%
	Paper: 4,854	1%
Sales/Use	Electronic: 403,712	96%
	Paper: 17,064	4%

Individual Taxes

In FY 2011, 85% of individual income tax returns were electronically filed (over 1.25 million returns). Iowa taxpayers are among the nation's leaders in eFiling.

Tax Type	# of Returns	% of Total
Income	Electronic: 1,255,607	85%
	Paper: 233,294	15%

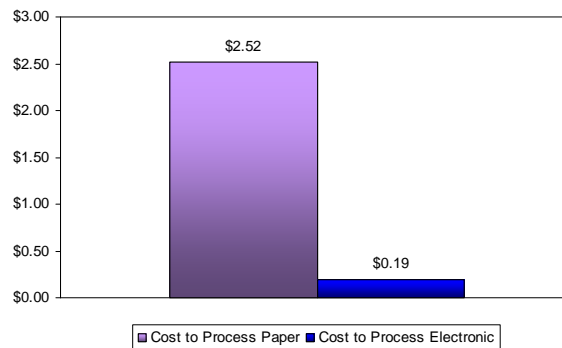
Refunds

The Department issued 96% of refunds to eFilers within one to two weeks after filing. The Department continues to promote the quick refund turnaround time as a taxpayer benefit to electronically filing returns. The 4% of electronic refunds that are not issued within 14 days are attributed to returns that must be reviewed for errors.

Cost to Process Paper Compared to Electronic Returns

The chart below demonstrates the estimated costs to receive and input paper and electronic tax returns into the Department's information systems. Department staff reviews returns when errors are identified after they are entered into the information systems. The error rate for individual income tax returns filed on paper is 30%, compared to an error rate of 6% for electronically filed returns.

Processing Cost Per Tax Return
Paper vs. Electronic FY 2011



TAXPAYER SERVICES

Iowa taxpayers seek answers to their questions about taxes. Over 1.2 million taxpayer contacts were received in FY 2011. Tax specialists are available by telephone and eMail. Taxpayers accessed the Department's web site more than 1 million times during FY 2011.

Taxpayer Contact Preferences					
Type of Contact	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
Web Site	87%	84%	81%	82%	81%
Phone	10%	12%	14%	13%	14%
eMail	2%	2%	3%	3%	3%
In Person	1%	2%	2%	2%	2%
Total Contacts	1,247,795	1,203,527	1,065,479	1,104,927	1,103,077

Demand for taxpayer assistance continues to grow, increasing 13% in the past five years. The preferred method for taxpayers to receive information is shifting to self service via the Department's web site. In FY 2011, 84% of phone contacts were answered within 60 seconds. Four percent of calls went unanswered due to high call volume (callers chose not to wait).

To Receive Assistance From a Tax Specialist:

eMail: idr@iowa.gov
Telephone: 515/281-3114 or 1-800-367-3388
Mail: Taxpayer Services
Iowa Department of Revenue
PO Box 10457
Des Moines, Iowa 50306-0457

ONLINE SERVICES AND FORMS

www.iowa.gov/tax

Where's My Refund?

eFile & Pay for Business Taxes

Apply for a Permit

Individual Income Tax eFile Information

Current and Past Year Tax Forms - Many are fillable

Pay Debt Online

Subscribe to eMail News for Department Reports as they are issued.

Visit the Iowa Tax Research Library (<http://itrl.idr.iowa.gov/>)
for a searchable repository of Department rulings, court cases, tax statutes, and administrative rules.

Local Government Assistance

PROPERTY TAX

The Department provides assistance to local governments throughout Iowa by administering fair and equitable assessments and programs for property tax relief. The Property Tax Division:

- Administers credits and exemptions for property owners.
- Trains, educates, and certifies the assessment community as well as trains boards of review.
- Equalizes assessed values through ratio studies processed every second year.
- Provides for central assessments of utilities, telecommunications, pipelines, and railroads.
- Annually determines agricultural productivity values statewide.
- Provides information pertaining to assessed valuations to other governmental agencies.
- Collaborates with county-level government in implementation of technology solutions.
- Reviews assessment practices for statutory compliance and taxpayer inquiries.
- Makes recommendations and collaborates with key stakeholders regarding statewide property tax issues.

Research, Analysis, and Information Management

RESEARCH, ANALYSIS, AND STATISTICAL REPORTS

The Department provides tax policy analysis, fiscal impact estimation, economic research, and statistical analysis to help customers, stakeholders, and policymakers make informed decisions.

Statistical Reports

Sales and Use Tax Quarterly and Annual Reports
Local Option Tax Distribution
Motor Fuel Tax Monthly Reports
Individual Income Tax Annual Reports

Other Reports

Iowa Leading Indicators Index Monthly Reports
Contingent Liabilities Report
Tax Expenditure Studies
Legislative Summaries
Tax Credits User's Manual and Evaluation Studies

These reports are all available on the Department web site:

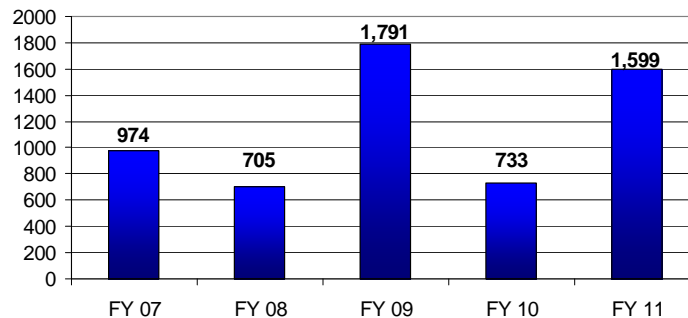
www.iowa.gov/tax

The Department also includes two boards for budgetary purposes.

PROPERTY ASSESSMENT APPEAL BOARD

The State of Iowa Property Assessment Appeal Board (PAAB) is a state board created for the purpose of establishing a consistent, fair, and equitable property assessment appeal process. The Appeal Board conducts administrative hearings with the statutory authority to review any final decision, finding, ruling, determination, or order of a local board of review relating to protests of an assessment, valuation, or application of an equalization order. The number of appeals received is higher in odd years due to the property tax reassessment cycle.

Appeals Received



A review committee will be formed in FY 2012 in accordance with Iowa Code Chapter 421.1A (7) to review PAAB activities since its inception and report to the Legislature on recommendations and changes by January 15, 2013.

Board Membership, Residence, and Term

Richard Stradley, Chair.....Ankeny.....April 30, 2017

Karen ObermanWaukee.....April 30, 2015

Jacqueline Rypma.....Clive.....April 30, 2013

STATE BOARD OF TAX REVIEW

Created within the structure of the Department of Revenue is the State Board of Tax Review. The bipartisan board consists of three members appointed by the Governor to six-year terms. The state board serves in a review capacity, empowered to pass upon all actions of the Director and affirm, modify, reverse, or remand such actions.

Board Membership, Residence, and Term

Michael Milligan, Chair.....West Des Moines.....April 30, 2015

Kathleen Koenig.....Des Moines.....April 30, 2013

Jeffrey ElginCedar Rapids.....March 2, 2017